10/81

Financial Markets

Irving Trust

Irving Trust Company
One Wall Street
New York, NY 10015

Economic Research & Planning Division

Friday
(Noon)

Oct. 16, 1981

On balance, rates showed only very small changes this week in light trading that reflected the pervasive nervousness in the markets. That attitude was influenced by the firmness of the funds rate early in the week, together with widespread expectations of a large increase to be reported in the money stock data for the first week of October, to be released tonight. In anticipation of that data, most market participants appeared to be merely marking time.

The growth of short-term business credit in recent months has been very strong. In part that strength is due to the inability of many potential issuers of long-term debt to market issues on acceptable terms--a state of affairs that accounts for the extraordinary $17-18 billion of bond offerings currently congesting the corporate bond calendar. In addition, the recent spate of mergers also lifted business loans. More fundamentally, sluggish economic activity--which affects business cash flow adversely--probably also accounts for a share of the increase in the short-term financing requirements of business firms.

In view of the substantial spread of the prime rate over market interest rates during the last several months, it is hardly surprising that the strongest growth in short-term credit has been concentrated in nonprime-lending channels. As the accompanying data show, through September 30 (the most recent date for which data are available), both nonfinancial commercial paper and loans to U.S. firms by

Annual Rates of Growth
(Data are 4-week moving averages)

	4-Week Growth Rate	13-Week Growth Rate
Commercial and Industrial Loans (Excluding Acceptances) at All Weekly Reporting Banks	12.8%	17.7%
Loans to U.S. Addressees Booked at Foreign Branches of Weekly Reporting Banks	112.0	128.2
Commercial Paper Issued by Nonfinancial Firms	84.3	54.1

foreign branches of U.S. banks (the rates on which typically are indexed to LIBOR rates) have expanded at very strong rates. Nevertheless, the expansion of domestic commercial and industrial lending--while slower than that of commercial paper--is not exactly sluggish. That, of course, is part of the explanation for the relatively slow decline in the prime rate in recent weeks.

William C. Melton

Irving Trust

Market Yields

	10/16/81 (Noon)	Week Ago	Year Ago
Prime Lending Rate at Irving Trust Company	18.00%	19.00%	13.50%
Effective since	10/13/81		
Discount Rate at Federal Reserve Bank	14.00	14.00	11.00
Federal Funds	15.00	14.75	12.63
Repurchase Agreements	14.50	14.25	12.00
U.S. Treasury Issues			
Bills			
3 months	14.12	14.14	11.55
6 months	14.94	14.96	12.13
1 year	15.16	15.24	12.10
Coupons			
2 years	15.34	15.48	11.86
4 years	15.18	15.20	11.69
7 years	15.17	15.06	11.55
10 years	15.09	14.73	11.57
Long Bond	14.47	14.26	11.38
Negotiable Certificates of Deposit-Secondary Market			
1 month	15.00	14.75	12.60
3 months	15.20	15.35	12.70
6 months	15.60	15.70	12.70
1 year	15.75	15.50	12.70
Banker's Acceptances			
1 month	14.85	14.85	12.60
3 months	15.20	15.36	12.40
6 months	15.65	15.79	12.00
Eurodollar Deposits			
1 month	15.50	15.33	13.13
2 months	15.75	15.81	13.31
3 months	16.06	16.25	13.38
Commercial Paper - Prime Names			
Directly placed by:			
Finance Companies			
1 week	14.63	14.38	8.00
1 month	14.63	14.63	12.25
3 months	13.75	14.50	11.50
Bank Holding Companies			
1 month	14.00	14.50	12.25
Dealer Placed:			
3 months	14.88	14.50	11.90
New AA Corporate Utility Bond	17.40	17.50	13.50
Tax Exempt			
6 month Project Notes	8.75	8.85	5.25
1 year AAA Bond	8.60	8.90	5.90
5 year AAA Bond	9.00	9.25	6.20
20 year AAA Bond	11.40	11.50	8.15

This information represents prevailing market yields.
It should not be construed as an offering.
All yields are on the offered side of the market.

Cable Address:
"IrvingBank" Telex: I.T.T. 420268 • R.C.A. 232241
W.U.I. 62832 • French 82629